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**Report Highlights:**

MY05 imports are forecast to surge to 3.3 MMT (15.1 million bales) and production is forecast at 5.5 MMT (28.2 million bales). The United States is expected to remain the dominant source of cotton imports. The textile industry is expected to continue expanding at a healthy pace. Stocks are expected to remain tight.

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Includes PSD Changes: Yes

Includes Trade Matrix: No

Annual Report

Beijing [CH1]

[CH]

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## Executive Summary

Imports for MY05/06 are forecast to reach a record level of 3.3 MMT. This forecast is based on strong demand from China's burgeoning textile industry coupled with a drop in Chinese cotton production. The gap will be filled by imports, primarily from the United States. Production for MY05/06 is forecast to decline to 5.5 MMT from the record production of 6.32 MMT for MY04/05 due to a 12 percent drop of planted area and lower yields. Continued low cotton prices since the second quarter of 2004 caused this sharp drop of cotton planted area. China's expanding textile industry is driven both by exports and increased domestic consumption. Textile and apparel exports are expected to grow even faster than in recent years due in part to the removal of textile quotas on January 1, 2005. Strong domestic demand for textiles and apparel, which is driven by Chinese consumers' increased disposable incomes, also is increasing demand for cotton. The stocks-to-use ratio remains below 20 percent.

## Production

**Overview** - China's cotton production for MY05/06 is forecast at 5.5 MMT, down by 13 percent from the record harvest of 6.32 MMT for MY04/05. This is in response to the sharp drop of cotton prices that began in April 2004 and that remain relatively low as of this writing. As a result, cotton planted area is forecast to fall to 5 MHA or 12 percent less than the 5.69 MHA for MY04/05. Also, yields for MY05/06 are unlikely to reach those attained in MY04/05, which were the second highest yields in the recent five years primarily due to exceptionally good weather. The Government of China (GOC) noted the declining trend in cotton production in late 2004 and early 2005 and has issued a statement that encouraged farmers to maintain a stable cotton production base. However, cotton farmers, particularly those in the Yellow River and the Yangtze River regions, paid little heed to these GOC advisories and planted more profitable crops, primarily grain.

**Planted Area** - On February 25, 2005, China's Cotton Research Institute (CRI) released the results of its annual cotton planting intention survey. It concluded Chinese cotton farmers intend to plant 16.9 percent fewer hectares in MY05/06 than they did a year earlier. (See CH5020 for a detailed discussion about this survey and a survey conducted by the Ministry of Agriculture.) Another survey conducted in March by the State Cotton Marketing Monitoring Network (SCMN), the results of which were released on April 4, 2005, showed farmers intended to plant 12.17 percent less area to cotton planting than the previous year. The SCMN's survey interviewed 4487 cotton farmers and covered 89 counties in 15 cotton-producing provinces. A comparison of the CRI and SCMN surveys is contained in the table below:

Table 1: Comparison of survey results by CRI and SCMN (Area drop by percentage over MY04/05)

	Yellow River				Yangtze River				Northwest			
Prov	AVG	HN	SD	HeB	AVG	AH	JS	HuB	AVG	XJ PCC	XJ Non-PCC	GS
SCMN - 12.17	-18	-24	-16	-11.6	-12	-16	-12.7	-6	-1.2	-2.1	-0.2	-3.5
CRI -15.9	-20	-29	-18	-10	-17	-21.3	-6.6	-17.6	-4.2	-4.2	-4.2	NA

Note: AVG-average; HN-Henan; SD-Shandong; HeB-Hebei; AH-Anhui; JS-Jiangsu; HuB-Hubei; XJ-Xinjiang; GS-Gansu; PCC-Production & Construction Corp

As the table shows, both surveys concluded there will be significant reductions in planted

area in the three major cotton producing regions, with the largest reduction expected in the Yellow River Region, followed by the Yangtze River Region and the Northwest. The SCMN survey was conducted more recently than CRI's survey; therefore, Post deems it more indicative of farmers planting intentions. Various provincial-level agricultural bureaus also published survey results, which, in general, agree with the above two surveys.

The decrease in planted area is to be expected because of the consistently low cotton prices that have existed since the second quarter of 2004. According to CRI's survey/report, in 2004, cotton prices dropped by 29.6 percent, while prices for agricultural inputs increased 26.5 percent. Increased prices for fertilizer and seeds accounted for 10 percent of this total increase. Falling cotton prices coupled with increased production costs caused cotton profits to plummet by 39 percent in 2004 -- US\$762/HA as compared to US\$1252/HA in 2003. On April 14, 2005, the National Statistics Bureau released a similar analysis that concluded cotton farms' profit dropped by 34 percent in 2004 over the year before.

Yields – Post used a yield of 1100 Kg/Ha to calculate its MY05/06 production forecast. This yield is slightly above the recent five years average yield of 1087 Kg/Ha, but below last years exceptional yield that resulted from ideal growing conditions. MOA experts have predicted that cotton bollworm and aphids are likely to be worse than average in 2005 and are likely to keep yields in check.

In addition to the above factors, farmer's use of inputs also will affect yield. Farmers are likely to reduce inputs on crops that generated little profit in the previous season. Unlike grain crops, which received subsidies to offset higher input costs, increased cotton production costs made cotton the least profitable crop in 2004. Recently, in an effort to curb the rapidly rising cost of fertilizer caused by increased crude oil prices, China's National Development and Reform Commission (NDRC) set a ceiling price for urea. The ceiling price, however, is higher than last year's price, so this did little to reduce farmers' input cost below last year's costs. These increased costs notwithstanding, many industry insiders expect that cotton prices will increase in the coming months, thus farmers might spend more on fertilizer and other inputs to attain higher yields.

Agronomy practices continued to improve in 2004 and are expected to continue improving in the coming year. The practice of transplanting seedlings and the use of plastic sheeting increased last year and are expected to increase in the coming year too. All of these are expected to contribute to good yields in 2005.

Another important yield booster is the planting of transgenic Bt cotton varieties. Farmers are expected to continue planting more area to transgenic Bt cotton varieties in 2005. Estimates of the area planted to Bt cotton in 2004 range from 3.1 to 3.7 MHA. According to a MOA survey, out of the 2004/05 5.69 MHA, 3.3 MHA were planted with Bt cotton, accounting for about 60 percent, which is 8 percent higher than 2003. In the Yellow River Region, Bt varieties accounted for 95 percent, and the Yangtze River Region 70 percent. CRI is using transgenic technology to breed new varieties with disease resistance and better fiber quality, but no detailed results were available yet and no varieties have been commercialized. In Xinjiang, industry sources reported that Bt cotton varieties are not widely planted because bollworms are less of a problem there than in other areas, so farmers prefer seeds of the cheaper conventional varieties.

Bt cottonseed production is increasingly industrialized. One large seed company has set up several production bases nationwide. The price of domestically produced Bt seeds generally is lower than those produced by the large multinational companies. Unapproved Bt varieties reportedly are planted in some provinces. Also, conventional varieties mislabeled as

transgenic seeds remains a problem. In March 2005 MOA issued a circular to halt this practice, but they have done little on the enforcement front.

## Consumption

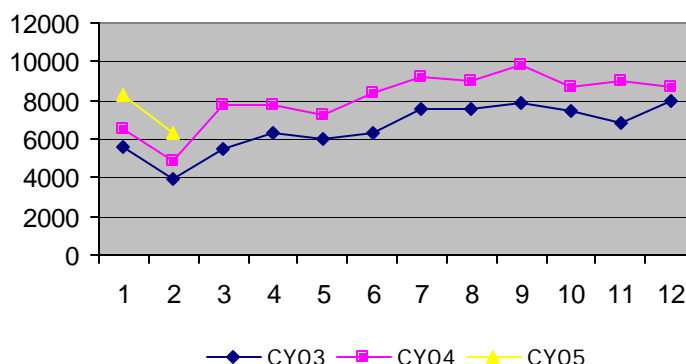
China's cotton consumption for MY05/06 is forecast at 8.9 MMT, 8.5 percent more than the revised estimate of 8.2 MMT for MY04/05. This increase is driven by the high growth of domestic textile consumption as a result of consumers' greater disposable income and the high export growth of textile products resulting from the removal of quotas since the beginning of 2005.

China's textile industry has developed rapidly over the past decade and most industry insiders expect it to continue growing in the first few years of the post-quota era. According to the NSB, the growth rate of fixed asset investment in the textile industry for 2004 slowed down as compared to 2003's investment boom, but the net investment still stood at US\$14.3 billion, up by 30 percent over previous year. There were 3753 textile projects, which started construction in 2004 -- 224 more than in 2003. The majority of the investment (77 percent) concentrated in the east coastal provinces. Shandong ranked #1 with net investment of US\$3.8 billion, followed by Jiangsu with US\$2.3 billion. Private investment increased by 61 percent over 2003. The newly constructed projects were equipped with more advanced machinery, the import value of which reached US\$4.5 billion in 2004. Total spindles are estimated to have exceeded 70 million as of the end of 2004.

The increased investment has paid dividends in the form of a 24 percent increase in output and a 16 percent increase in profits over 2003. The average output per employee industry-wide for 2004 reached US\$21,790 -- 16 percent more than the previous year. Approximately 19 million people are directly involved in the textile sector, and another 100 million are indirectly involved. The consolidation of small mills is expected to continue in the post-quota era.

China's textile and apparel exports for 2004 rose by over 18 percent over 2003. The impact of the elimination of quotas on January 1, 2005, was readily apparent. Total exports surged 35 percent during the first two months of 2005 over the corresponding period of 2004. (See chart 1). The China Textile Industry Association (CTIA) forecast China's 2005 textile and apparel export growth at 20 percent. The possible safeguards to be imposed by the United States and EU are likely to check the growth to some extent, but according to CTIA, in the past four years the growth of net export value to other regions (quota free) far surpassed that to the United States and EU.

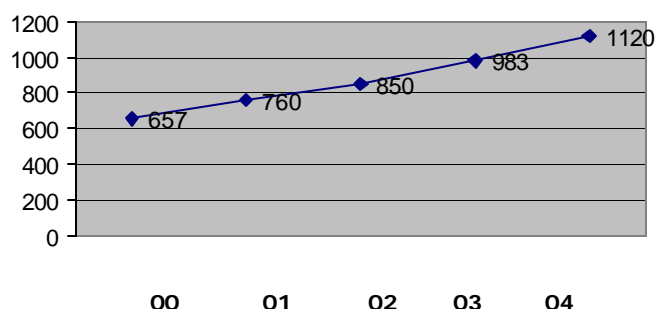
**Chart 1. China's Textile & Apparel Monthly Exports from 2003-2005**  
(In million US dollars)



Although the growth in China's textile and apparel exports has been the subject of many press reports, the underreported story is the growth of domestic consumption of textile and apparel products. Continued increases in disposable incomes are driving this growth. In fact, CTIA reported that in 2004 the domestic consumption growth rate exceeded the export growth rate (22.79 percent vs. 21 percent) for the sector. Based on this strong domestic growth, plus the effect of removal of international quotas, in 2005 and 2006 China's textile industry is expected to maintain a growth rate similar to or higher than that attained in 2004.

According to the NSB, along with the high growth of textile and apparel exports, yarn production from Sep 04 to Mar 05 increased by 23.3 percent, as compared to the same period of the previous marketing year. Industry sources said 11.5 MMT is a conservative estimate for yarn production, with cotton use at 8.2 MMT in MY04/05 (including 0.3 MMT of non-spinnable use). Although the annual growth rate of yarn production between 2000 and 2004 averaged 14.69 percent, some industry sources forecast the growth rate for 2005 to drop to approximately 10 percent. Assuming an annual growth rate of 11 percent, total yarn production is forecast to reach 12.8 MMT in MY05/06. As such, cotton demand is likely to reach 9 MMT in MY05/06.

**Chart 2: China's Yarn Production from 2000-2004**  
(In 10 thousand metric tons)



According to NDRC, yarn production reached 11.2 MMT in 2004, up by 14 percent over 2003 when it was 9.83 MMT, which was 16 percent more than 2002. Yarn production is concentrated in the eastern coastal provinces. Shandong overtook Jiangsu to become the

largest producer in 2004, with production of 2.63 MMT, up by 40.6 percent over 2003. Jiangsu was second with production of 2.2 MMT for 2004. Yarn production in Xinjiang, China's largest cotton producing province, grew by 4.3 percent during 2004. Yarn production was 239,000 MT, as compared to 1.7 MMT of cotton produced in Xinjiang annually.

Production of man-made fiber for 2004 increased by 20.6 percent over the previous year. Man-made fiber for the textile sector in 2004 was 4.27 MMT. Historically, the cotton price is approximately 20 percent higher than the price of polyester fibers. Since the second half of 2004 and into 2005, however, the price of cotton was lower than that of polyester. Only recently has the cotton price started to increase, but it remains below the price of polyester fiber. This situation can be attributed to both sides of the equation – lower cotton prices together with higher man-made fiber prices. The latter is caused by high crude oil prices. Unless and until the price of crude oil falls significantly, cotton is expected to take a larger share of the fiber market.

## Trade

Imports for MY05/06 are forecast at 3.3 MMT. This is 83 percent higher than the estimated 1.8 MMT imports for MY04/05. This huge increase for MY05/06 is driven by the combination of high consumption growth as a result of China's rapidly expanding textile industry and reduced domestic production due to 12 percent less area planted to cotton. Imports for MY04/05 were estimated at 1.8 MMT, down from the 1.9 MMT imports for MY03/04. As of the end of March 2005, imports stood at 665,000 MT for MY04/05, accounting for 37 percent of the estimated 1.8 MMT for the year. The lower than expected imported volume was partly due to the large domestic crop and the resultant low cotton price. Also, traders and mills took a "hand-to-mouth" approach to managing stocks to avoid the losses they experienced the previous season when they overbought at high prices. Several industry insiders have opined that the cotton supply could be very tight in the months just before and during the 2005 harvest. This gap will be filled by more imports. Despite the unprecedented high forecast of 3.3 MMT imports for MY05/06, the stocks-to-use ratio is forecast to be very low at the end of MY05/06 at about 15 percent. It should be noted, however, that several large traders commented that orders during the first several months of 2005 have been slow, which leads them to believe that either China has more stocks than experts think or the NSB production number for 2004 was understated.

Origins of imports for 2004 are similar to those in 2003, with the United States as the largest supplier (55 percent), followed by Uzbekistan a distant second (10 percent). Although the net imports from the United States for 2004 increased by 545,000 MT over 2003, its market share dropped slightly to 55 percent from previous year's 58.6 percent. Along with the larger total imports in 2004, origins of imports are more diversified. They come from 40 countries. Australia surpassed Benin to become the third largest supplier, with over 100,000 MT in 2004.

While China imported more long staple cotton (above SM grade) 2004 -- accounting for 39.4 percent of the total, the overall downgrade rate increased as well. It ranged from 7.2 for Burkina Faso imports to 17.1 for Uzbek imports, with an overall average of 16.9 percent. The U.S. downgrade rate was 16.6 percent.

Exports dropped rapidly in 2004 -- to an estimated 9,000 MT from 122,000 MT in 2003. They are expected to remain insignificant in 2005.

Cotton yarn and thread trade for 2004 remained about the same as in 2003. Imports and exports of cotton fabric for 2004 are similar to that of 2003.



## Stocks

Stocks remain very difficult to estimate. China still regards data on cotton stocks as state secrets that are not released to the public. A reliable industry insider said the ending stocks for MY03/04 were 1.55 MMT. Post estimates ending stocks for MY04/05 will drop to approximately 1.4 MMT. Stocks for MY05/06 are forecast to remain very low, despite record imports. It seems unlikely that China will purchase large amounts of cotton to increase its strategic reserves because China's State Cotton Reserve Corp., the agency responsible for managing such reserves, reportedly incurred huge losses last year when it purchased cotton at the price peak and then was forced to sell it after the price had fallen.

## Policy

Reform of China's cotton classification system continued in 2004. In general, the objective of proposed reform is to integrate China's classification regime with international standards. (For detailed information on the reform program, see GAIN reports CH4013 and CH4039). The trial implementation of the reform began in September 2004 in selected facilities, including eight classifying institutes and fourteen gins that are distributed throughout the leading cotton-producing provinces. On December 2, 2005, NDRC, in collaboration with other relevant departments, held a "marketing conference" for the above-mentioned facilities with large mills to see how the new system will really operate. The following problems surfaced in the trial implementation. First, the participating gins found that the fiber length as measured by HVI usually is 0.5 MM shorter than the manually measured results, thus resulting in losses to the gins. Second, the gins found it not very practical to group bales based on HVI results, which contain nineteen different parameters. Third, because payment is based on net weight in the new system, Xinjiang gins complained about weight losses due to low moisture regain. Finally, rail transport expenses increased due to the new large-sized bales. However, some gins said the current numerous gins (estimated to be over ten thousand, most of which have a very small capacity) posed the most difficult challenge to the reform's success. Some said the most important issue is to formulate a HVI classification standard that correlates with the old standard to minimize disruptions and confusion during the transition period. In general, the trial implementation proved fruitful. Under the leadership of NDRC, CFIB is enhancing cooperation with its U.S. counterparts. The reform is expected to move forward in 2005. Nationwide implementation, however, is not likely anytime soon.

Enforcement of an amendment to China's upland cotton standard, GB-1103-1999 (See GAIN CH4013 for details) was delayed until an unspecified date. The proposed two additional indicators, namely "neps and short fiber content," in the amendment caused considerable concern to some U.S. exporters when they were first published. More recently, however, most industry sources are of the opinion that these standards are unlikely to affect trade in the foreseeable future because China needs increasing quantities of cotton in the post-quota era. Also, devising a reliable method to measure these two parameters would need to be resolved before China could effectively implement the standard. Most Western technical experts opined that that will be very difficult. It should be noted, however, that some textile industry insiders did complain that the high short fiber content reduced the quality of their products.

Production policy remains unchanged. MOA encourages steady cotton production based on its Regional Plan for Agricultural Products announced in February 2003. MOA's ability to



really affect farmers' planting decisions, however, is limited because farmers "plant their pocketbook;" they pay little heed to MOA's pronouncements and policy objectives unless they are compensated. In an effort to curb the decline of grain production, the GOC started area-based subsidies to grain crops in 2004. This policy, in part, resulted in a higher per-unit profit for grain crops than cotton; thus, cotton area is expected to decline in MY2005/06. Given China's very limited arable land, if forced to choose between subsidizing cotton and grain production, the GOC is likely to subsidize or otherwise support grain so it can feed the people. Farmers, especially those in the Yellow River region, are expected to adjust their crop mix according to comparative profit per unit. In fact, the annual swing in cotton area ranged from 11 to 22 percent over the past five years. Therefore, the GOC has its work cut out for itself if it expects to maintain a stable cotton production area.

The tariff rate quota for raw cotton imports remains. China's WTO commitment does NOT mandate elimination of cotton TRQ in January 2005. The quantity remains the same -- 894,000 MT. The allocation policy remains unchanged. In order to curb the skyrocketing cotton price, starting from late 2003 through 2004, NDRC added 1.5 MMT of cotton TRQ over and above its WTO mandated TRQ of 894,000 MT. NDRC distributed the new allocations in two tranches -- at the end of 2003 and in March 2004. Although NDRC does not publish the names of the enterprises that receive TRQ, industry sources reported that 700 enterprises received TRQ in 2004 and 400 received it thus far in 2005. NDRC expressed concern about a possible shortage of cotton in the remaining months of 2005 and through 2006. On April 12, 2005, *China Textile Daily* reported that, in response to this concern, NDRC decided to add 1 MMT of TRQ over and above the WTO mandated TRQ. It will be distributed in two tranches. Although no specific time was given, the report confirmed that the relevant official indicated that the first tranche will be distributed very soon. Most mills are concerned that they might run out of cotton, which would hurt the entire textile industry and related industries. China's current willingness to expand the TRQ beyond its WTO commitments should continue into the near future because the textile industry needs the cotton and it cannot all be produced domestically.

On January 1, 2005, in an apparent effort to diffuse international criticism about China's flood of textile exports, China imposed an export duty on six sensitive categories of textile/apparel products. The duty ranged from 2.5 to 3.5 U.S. cents per unit, which amounted to less than 1 percent when calculated on an ad valorem basis. Industry sources reported that its impact on exports was insignificant. In response to the pressure of safeguards to be imposed on the skyrocketing exports of some categories by the United States and EU, in mid April, 2005, CTIA said it would be considering raising the export duty on some categories. Industry analysts said the duty could increase by US\$0.24 to 0.48 per unit, which is likely to reduce exports.

The Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for purchasing cotton in 2004. ADBC had earmarked US\$3.6 billion for this program, up by 156 percent over the year before. As of April 10, 2004, the US\$3.6 billion was completely issued, up dramatically from the US\$1.27 billion for 2003, in part because of expanded loan coverage (more borrowers are eligible) and higher interest rates on conventional commercial loans.

Another policy instrument the GOC still has at its disposal to keep the cotton price in check is "state purchasing for reserve." However, industry sources reported that the "state purchasing" in 2004 had little impact on the market because the set price ceiling was not attractive. Currently, the price is set at US\$1,452/MT (effective from March 28, 2005) from the previous US\$1,391/MT.

## Marketing

Liberalization – As of January 1, 2005, marketing of cotton within China was opened up to international traders and investors. This is based on China's WTO commitments, which specified that foreign traders can import and market cotton directly in China, and can be involved in the marketing of domestic cotton. According to industry sources, some foreign traders already submitted applications to the relevant departments and the approvals are being processed.

The marketing of domestic cotton continues to be difficult in China and it shows little sign of improving in the foreseeable future. There are approximately 12,000 gins with a total ginning capacity estimated of 30 to 40 MMT per year, which is equivalent to 5 to 7 times of domestic production. This lack of consolidation in the industry leads to inefficiencies and uneven cotton quality. In October 2004, NDRC and other relevant departments issued a circular in an effort to maintain orderly cotton marketing. The circular ordered a crack down on enterprises that engaged in unlawful marketing practices and mandated the elimination of all provincial-level rules and regulations that restricted the marketing of cotton outside of the province.

In 2004 the pace of marketing of domestic cotton was delayed as a result of the previous year's large price swing. Farmers held onto their cotton in hopes of receiving the same high prices they had received the previous year. Also, traders hesitated to purchase any more cotton than they really needed because the previous season they incurred large losses when they overbought high-priced cotton. The China Cotton Association (CCA) estimated that, as of the end of March 2005, total purchases reached 5.45 MMT, accounting for 86 percent of the 6.32 MMT. In Xinjiang, as of March 20, 2005, purchasing of 2004 crop was completed with the total quantity amounting to 1.8 MMT. The Cotton and Jute Corporations (CJC) continued to play an important role with around 57 percent of market share based on CCA. In Xinjiang, however, industry sources said CJC purchased almost all of the province's 1.8 MMT 2004 production.

Transporting cotton out of Xinjiang continues to be a problem that shows little sign of improving. Xinjiang officials complained that the shortage of railcars seriously constrained the marketing of Xinjiang cotton during the current marketing year. As of March 20, 2005, approximately 0.5 MMT of old crop cotton were yet to be shipped out of Xinjiang. Based on the availability of 100 railcars per day [46 for the Production and Construction Corp (PCC) and 54 for non-PCC], deliveries of PCC cotton are not expected to finish until August and June for non-PCC cotton. Industry insiders suggested setting up state reserve warehouses in Xinjiang, so that transportation can be done during the non-peak times, i.e., between May and September.

China's first cotton futures contract was launched on June 1, 2004, on the Zhengzhou Commodity Exchange (ZCE). According to a senior ZCE official, the cotton futures business is going smoothly and the transaction volume has increased steadily since the launch. The price index is increasingly playing an important role in the international market. The ZCE and the industry, however, will have to educate China's cotton farmers and other stakeholders about how they can use the ZCE to manage risk.

Contract sanctity remained a concern for global cotton traders over the past year. According to one industry source, over 50 mills/traders defaulted on sales valued in excess of US\$100 million. According to CCA, NDRC instructed industry leaders to formulate "China Cotton Trade Rules" acceptable by "all parties" based on "China Textile Rules". NDRC also urged the industry to establish a credibility system, which, according to one industry source, includes a "black-list" to punish traders that engage in unethical practices. Industry insiders are

actively pushing to have this system established. If implemented, it will help restore order and credibility to China's somewhat tarnished image among international cotton traders.

*Marketing Assistance* - U.S. cotton exporters interested in exporting cotton to China and want marketing advice and assistance may contact USDA/FAS's Agricultural Trade Offices (ATO) in Beijing, Shanghai, and Guangzhou. They can be contacted via email at [ATOShanghai@usda.gov](mailto:ATOShanghai@usda.gov), [ATOB Beijing@usda.gov](mailto:ATOB Beijing@usda.gov), and [ATOGuangzhou@usda.gov](mailto:ATOGuangzhou@usda.gov) respectively. Also, Cotton Council International (CCI) is actively involved in promoting U.S. cotton in China and throughout Asia. CCI serves China from its office in Hong Kong. They can be reached via email at [cci-hongkong@cotton.org](mailto:cci-hongkong@cotton.org). Both CCI and the ATO's organize events designed to bring U.S. cotton exporters together with Chinese buyers.

## Tables

## Production, Supply, and Demand (PSD)

Table 1. PSD in Metric Tons

PSD Table						
Country	China, Peoples Republic of					
Commodity	Cotton				(HECTAR ES)(MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		08/2003		08/2004		08/2005
Area Planted	0	5110000	0	5690000	0	5000000
Area Harvested	5110000	5110000	5690000	5690000	0	5000000
Beginning Stocks	1934283	1753497	1707629	1504758	1587880	1415758
Production	4855302	4860000	6314070	6320000	0	5500000
Imports	1922961	1929125	1741812	1800000	0	3300000
MY Imp. from U.S.	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	8712546	8542622	9763511	9624758	1587880	10215758
Exports	37667	37864	10886	9000	0	5000
USE Dom. Consumption	6967250	7000000	8164746	8200000	0	8900000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	6967250	7000000	8164746	8200000	0	8900000
Ending Stocks	1707629	1504758	1587880	1415758	0	1310758
<b>TOTAL DISTRIBUTION</b>	8712546	8542622	9763512	9624758	0	10215758

Table 2. PSD in Bales

PSD Table						
Country	China, Peoples Republic of					
Commodity	Cotton				(HECTARES)(480LB Bales)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		08/2003		08/2004		08/2005
Area Planted	0	5110000	0	5690000	0	5000000
Area Harvested	5110000	5110000	5690000	5690000	0	5000000
Beginning Stocks	8884162	8053812	7843140	6911353	7293133	6502576
Production	22300402	22321980	29000524	29027760	0	25261500
Imports	8832160	8860471	8000143	8267400	0	15156900
MY Imp. from U.S.	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	40016724	39236263	44843806	44206513	7293133	46920976
Exports	173005	173909	49999	41337	0	22965
USE Dom. Consumption	32000579	32151000	37500678	37662600	0	40877700
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	32000579	32151000	37500678	37662600	0	40877700
Ending Stocks	7843140	6911353	7293133	6502576	0	6020311
<b>TOTAL DISTRIBUTION</b>	40016724	39236263	44843811	44206513	0	46920976

## Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons

Month	2002	2003	2004	2005
January	1,265	81,308	177,400	113,076
February	672	35,793	291,481	70,599
March	50	35,323	269,209	101,500
April	2,183	101,866	290,953	
May	9,322	121,475	227,075	
June	17,902	113,453	201,312	
July	30,879	83,161	170,478	
August	18,677	51,059	107,566	
September	14,203	20,867	58,710	
October	24,637	13,059	29,148	
November	18,020	52,906	22,844	
December	38,842	163,330	59,975	
TOTAL	176,651	875,603	1,906,153	386,675
Marketing Year	Aug/02 - Jul/03	Aug/03 - Jul/04	Aug/04-Jul/05	Aug/05-Jul/06
TOTAL	686,748	1,929,125		

Unit: 480-lb Bales

Month	2002	2003	2004	2005
January	5,808	373,448	814,800	519,358
February	3,085	164,397	1,338,773	324,263
March	229	162,239	1,236,479	466,189
April	10,027	467,871	1,336,348	0
May	42,816	557,934	1,042,954	0
June	82,224	521,089	924,626	0
July	141,827	381,958	783,005	0
August	85,783	234,513	494,052	0
September	65,234	95,842	269,655	0
October	113,158	59,980	133,878	0
November	82,766	242,997	104,925	0
December	178,401	750,175	275,465	0
TOTAL	811,358	4,012,443	8,754,960	1,309,809
Marketing Year	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05	Aug/05-Jul/06
TOTAL	3,154,278	8,860,474		

Source: PRC Customs Statistics

Table 4. China's Quarterly Cotton Imports by Country of Origin

Marketing Year: 2002/2003

Unit: Metric Tons

Country	Jul-Sep /02	Oct-Dec /02	Jan-Mar /03	Apr-Jun /03	TOTAL
United States	31,138	40,682	109,213	212,456	393,489
Uzbekistan	9,081	6,088	11,723	58,789	85,681
Benin	12,482	2,597	10,397	15,450	40,926
Australia	4,917	14,733	3,589	4,600	27,839
Togo	400	4,400	1,638	8,486	14,924
Mali	446	999	3,619	4,532	9,596
Burkina Faso	0	620	620	8,192	9,432
Egypt	1,679	968	3,143	2,470	8,260
Other	3,616	10,413	8,482	21,818	44,329
<b>TOTAL</b>	<b>63,759</b>	<b>81,499</b>	<b>152,424</b>	<b>336,793</b>	<b>634,475</b>

Marketing Year: 2003/2004

Unit: Metric Tons

Country	Jul-Sep /03	Oct-Dec /03	Jan-Mar /04	Apr-Jun /04	TOTAL
United States	71,209	119,019	455,151	419,467	1,064,845
Uzbekistan	35,807	7,167	72,779	69,744	185,497
Benin	18,700	6,492	14,472	37,991	77,656
Burkina Faso	5,022	9,098	21,005	31,924	67,049
Australia	2,600	13,163	25,855	22,008	63,626
Mali	5,978	6,409	7,621	33,461	53,470
Cameroon	3,467	6,855	7,771	16,176	34,269
Brazil	320	7,588	11,141	590	19,639
Paraguay	0	3,950	6,500	1,925	12,375
Greece	1,148	5,476	5,163	500	12,288
Others	10,837	44,077	110,632	85,553	251,099
<b>TOTAL</b>	<b>155,087</b>	<b>229,294</b>	<b>738,091</b>	<b>719,340</b>	<b>1,841,812</b>

Marketing Year: 2004/2005

Unit: Metric Tons

Country	Jul-Sep /04	Oct-Dec /04	Jan-Mar /05	Apr-Jun /05	TOTAL
United States	131,556	50,361			181,917
Australia	45,340	9,550			54,890
Uzbekistan	49,499	4,763			54,262
Paraguay	15,342	6,674			22,015
Mali	17,102	5,330			22,432
Burkina Faso	16,827	4,547			21,374
Benin	11,984	1,332			13,316
Cameroon	7,981	1,213			9,194
Brazil	770	5,040			5,810
Zimbabwe	2,171	3,449			5,620
Other	38,181	19,710			57,891
<b>TOTAL</b>	<b>336,754</b>	<b>111,968</b>			<b>448,722</b>

Source: PRC Customs Statistics



Table 5. China's Monthly Cotton Exports

Unit: Metric Tons

Month	2002	2003	2004	2005
January	1,933	13,901	1,150	204
February	2,614	17,995	1,323	59
March	3,299	17,786	1,151	
April	7,915	12,091	399	
May	15,106	7,134	205	
June	20,379	5,906	77	
July	15,306	5,881	1,806	
August	17,920	5,063	1,023	
September	17,409	1,970	1,044	
October	12,150	9,791	790	
November	15,847	10,173	172	
December	20,037	4,756	143	
<b>TOTAL</b>	149,915	112,447	9,283	263
<b>Marketing Year</b>	<b>Aug/02-Jul/03</b>	<b>Aug/03-Jul/04</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>
<b>TOTAL</b>	164,057	37,864		

Unit: 480-lb Bales

Month	2002	2003	2004	2005
January	8,878	63,847	5,281	939
February	12,006	82,651	6,075	269
March	15,152	81,691	5,285	
April	36,354	55,534	1,834	
May	69,382	32,766	940	
June	93,601	27,126	355	
July	70,300	27,011	8,295	
August	82,307	23,254	4,700	
September	79,960	9,048	4,796	
October	55,805	44,970	3,627	
November	72,785	46,725	790	
December	92,030	21,844	656	
<b>TOTAL</b>	688,560	516,467	42,636	1,208
<b>Marketing Year</b>	<b>Aug/02-Jul/03</b>	<b>Aug/03-Jul/04</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>
<b>TOTAL</b>	753,514	173,909		

Source: PRC Customs Statistics

Table 6. China's Quarterly Cotton Exports by Destination

Marketing Year: 2002/2003

Unit: Metric Tons

Country	Jul-Sep /02	Oct-Dec /02	Jan-Mar /03	Apr-Jun /03	TOTAL
Korea, South	10,078	10,164	9,683	9,678	39,603
Indonesia	8,188	10,255	12,782	4,623	35,847
Thailand	5,844	8,451	11,722	4,199	30,216
Taiwan	15,974	9,279	2,861	1,986	30,100
Singapore	0	0	8,585	3,713	12,297
Pakistan	2,790	2,778	310	0	5,878
Italy	1,682	2,604	721	44	5,050
India	1,354	1,631	868	94	3,948
Other	4,726	2,873	2,150	794	10,543
<b>TOTAL</b>	<b>50,636</b>	<b>48,034</b>	<b>49,681</b>	<b>25,131</b>	<b>173,483</b>

Marketing Year: 2003/2004

Unit: Metric Tons

Country	Jul-Sep /03	Oct-Dec /03	Jan-Mar /04	Apr-Jun /04	TOTAL
Thailand	2,777	16,648	224	79	19,729
Indonesia	3,094	4,919	954	79	9,046
Korea, South	4,662	1,983	969	41	7,654
Japan	494	40	826	41	1,402
Taiwan	563	376	81	115	1,135
India	39	0	93	0	132
Peru	0	0	124	0	124
Other	1,286	755	351	326	2,718
<b>TOTAL</b>	<b>12,915</b>	<b>24,721</b>	<b>3,623</b>	<b>681</b>	<b>41,940</b>

Marketing Year: 2004/2005

Unit: Metric Tons

Country	Jul-Sep /04	Oct-Dec /04	Jan-Mar /05	Apr-Jun /05	TOTAL
Japan	1,674	284			1,958
Indonesia	636	102			738
Korea, South	709	12			721
Taiwan	461	114			574
Thailand	159	100			259
India	0	258			258
United States	0	202			202
Other	234	33			267
<b>TOTAL</b>	<b>3,874</b>	<b>1,105</b>			<b>4,978</b>

Source: PRC Customs Statistics

Table 7. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons

Month	2001	2002	2003	2004	2005
January	29,752	39,953	49,962	57,570	51,642
February	45,629	27,254	37,295	62,846	33,919
March	48,499	54,675	60,884	65,562	0
April	49,999	58,569	64,663	61,596	0
May	46,408	60,154	63,609	54,009	0
June	46,211	56,615	49,654	54,389	0
July	44,618	51,374	46,655	53,176	0
August	43,527	46,028	49,351	50,786	0
September	44,168	50,846	58,487	58,653	0
October	38,415	53,324	64,332	54,461	0
November	41,762	48,734	64,071	57,615	0
December	40,268	49,710	78,893	56,285	0
<b>TOTAL</b>	519,257	597,236	687,857	686,948	85,561
<b>Marketing Year</b>	<b>Aug/01-Jul/02</b>	<b>Aug/02-Jul/03</b>	<b>Aug/03-Jul/04</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>
<b>TOTAL</b>	556,734	621,364	724,282		

Source: PRC Customs Statistics

Table 8. China's Quarterly Cotton Yarn and Thread Imports by Country of Origin

Calendar Year: 2003

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	50,128	73,350	66,778	93,512	283,768
Pakistan	50,740	48,087	41,753	49,288	189,868
India	13,581	14,424	8,777	17,772	54,555
Hong Kong	11,462	13,817	12,759	13,254	51,292
Indonesia	8,379	9,994	6,273	9,110	33,756
Taiwan	4,233	7,517	8,511	12,287	32,548
Korea, South	4,080	4,681	3,264	4,225	16,250
Thailand	2,343	2,434	2,868	3,251	10,896
Other	145,798	175,492	151,626	204,045	676,961
<b>TOTAL</b>	<b>148,141</b>	<b>177,926</b>	<b>154,494</b>	<b>207,296</b>	<b>687,857</b>

Calendar Year: 2004

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	73,684	69,189	66,899	73,155	282,926
Pakistan	53,643	45,494	40,511	46,986	186,634
India	23,948	18,610	19,197	14,448	76,204
Indonesia	8,867	8,672	7,699	8,666	33,904
Taiwan	6,774	7,922	9,062	7,348	31,106
Hong Kong	6,682	7,962	7,301	6,022	27,967
Korea, South	3,682	4,156	3,190	3,519	14,548
Thailand	4,069	3,140	3,623	2,793	13,625
Other	4,628	4,849	5,133	5,424	20,034
<b>TOTAL</b>	<b>185,978</b>	<b>169,995</b>	<b>162,615</b>	<b>168,361</b>	<b>686,948</b>

Calendar Year: 2005

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
	NA*				NA
<b>TOTAL</b>	<b>NA</b>				

Source: PRC Customs Statistics

Note: As of this writing, the 1st quarter of 2005 is not available

**Table 9. China's Monthly Cotton Yarn & Thread Exports**

Unit: Metric Tons					
Month	2001	2002	2003	2004	2005
January	8,898	17,864	22,778	24,906	23,490
February	17,364	15,882	22,279	32,647	19,406
March	22,124	34,106	38,966	40,241	
April	20,526	36,191	43,278	34,155	
May	20,291	36,431	40,906	33,594	
June	20,617	32,693	32,011	34,402	
July	18,468	32,486	33,424	31,143	
August	19,016	29,240	34,522	30,152	
September	21,216	29,765	41,239	34,799	
October	18,345	29,228	41,267	31,469	
November	20,377	27,329	43,512	33,372	
December	18,866	26,682	56,561	30,811	
<b>TOTAL</b>	226,107	347,898	452,747	391,691	42,897
<b>Marketing Year</b>	<b>Aug/01- Jul/02</b>	<b>Aug/02- Jul/03</b>	<b>Aug/03- Jul/04</b>	<b>Aug/04- Jul/05</b>	<b>Aug/05- Jul/06</b>
<b>TOTAL</b>	303,473	375,886	448,162		

Source: PRC Customs Statistics

Table 10. China's Quarterly Cotton Yarn and Threads Exports by Destination

Calendar Year: 2003

Unit: Metric Tons

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	69,049	97,351	90,338	121,179	377,918
Korea, South	3,417	4,077	3,970	7,258	18,721
Japan	2,914	3,198	2,717	3,665	12,494
Myanmar	1,857	1,796	2,541	2,039	8,233
Indonesia	1,873	1,553	1,816	1,418	6,659
Bangladesh	424	931	971	737	3,063
Macao	492	899	837	642	2,871
Singapore	675	869	550	370	2,465
Other	3,323	5,520	5,446	4,031	18,320
<b>TOTAL</b>	<b>84,023</b>	<b>116,195</b>	<b>109,185</b>	<b>141,340</b>	<b>450,744</b>

Calendar Year: 2004

Unit: Metric Tons

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	84,546	84,958	80,471	82,157	332,132
Japan	2,071	3,326	3,351	3,553	12,300
Korea, South	3,830	4,050	3,699	3,173	14,752
Myanmar	1,622	1,861	2,089	2,458	8,029
Bangladesh	269	738	378	493	1,877
Macao	557	1,171	1,290	490	3,507
Vietnam	700	391	436	380	1,906
Italy	311	277	172	308	1,069
Other	3,889	5,380	4,209	2,640	16,118
<b>TOTAL</b>	<b>97,794</b>	<b>102,151</b>	<b>96,095</b>	<b>95,652</b>	<b>391,691</b>

Calendar Year: 2005

Unit: Metric Tons

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
	NA*				NA*

Source: PRC Customs Statistics

Note: As of this writing, data for 1st quarter of 2005 is not available

Table 11. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters					
Month	2001	2002	2003	2004	2005
January	74,907	104,339	112,343	73,589	90,434
February	90,716	73,270	79,579	88,617	69,559
March	115,486	99,602	112,626	110,499	
April	116,217	121,099	116,254	120,592	
May	112,073	111,637	114,310	112,212	
June	107,677	113,295	102,886	114,908	
July	102,452	117,215	103,818	111,746	
August	92,601	107,758	92,108	105,428	
September	107,261	109,480	110,663	110,110	
October	100,888	110,241	115,600	120,197	
November	113,889	124,746	120,834	143,780	
December	117,793	125,801	141,968	158,767	
<b>TOTAL</b>	1,251,959	1,318,484	1,322,989	1,370,445	159,993
Marketing Year	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05	Aug/05-Jul/06
<b>TOTAL</b>	1,272,889	1,319,841	1,313,337		

Source: PRC Customs Statistics



Table 12. China's Quarterly Cotton Fabric Imports by Country of Origin

Calendar Year: 2003

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	95,590	115,149	107,445	148,767	466,950
Hong Kong	79,951	99,021	81,321	102,404	362,696
Japan	39,890	35,277	31,228	33,231	139,627
Pakistan	36,884	26,281	33,117	34,977	131,258
Taiwan	25,915	30,951	24,653	30,645	112,163
Korea, South	8,666	9,894	11,464	11,631	41,655
Indonesia	4,897	3,700	4,824	3,432	16,853
Macao	3,212	4,880	3,406	3,078	14,575
Other	9,543	8,298	9,132	10,240	37,212
<b>TOTAL</b>	<b>304,548</b>	<b>333,450</b>	<b>306,589</b>	<b>378,403</b>	<b>1,322,989</b>

Calendar Year: 2004

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	95,002	119,063	119,127	154,706	487,898
Hong Kong	70,542	103,634	88,662	128,010	390,848
Pakistan	25,766	23,725	29,383	37,210	116,084
Taiwan	19,215	27,615	25,040	36,698	108,569
Japan	37,596	35,404	31,950	34,984	139,934
Korea, South	9,070	10,827	11,392	12,861	44,150
Indonesia	3,389	2,357	3,303	4,531	13,580
India	2,568	8,120	5,577	1,272	17,537
Other	9,556	16,967	12,851	12,471	51,844
<b>TOTAL</b>	<b>272,705</b>	<b>347,711</b>	<b>327,285</b>	<b>422,744</b>	<b>1,370,445</b>

Calendar Year: 2005

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
	NA*				
<b>TOTAL</b>	<b>NA</b>				

Source: PRC Customs Statistics

Note: As of this writing, data for 1st quarter of 2005 is not available

**Table 13. China's Monthly Cotton Fabric Exports**

Unit: 1,000 Square Meters					
Month	2001	2002	2003	2004	2005
January	162,477	243,238	340,945	266,477	367,102
February	203,764	205,387	255,225	215,131	284,965
March	256,991	276,775	361,889	357,430	
April	244,005	324,130	405,110	362,893	
May	240,884	292,785	367,592	335,913	
June	219,241	287,557	339,135	351,726	
July	211,146	309,311	329,240	332,007	
August	224,327	319,404	322,999	347,696	
September	259,024	339,919	390,739	399,186	
October	236,242	345,531	378,620	396,667	
November	273,061	367,091	369,244	443,212	
December	269,613	369,102	480,706	465,363	
<b>TOTAL</b>	2,800,775	3,680,230	4,341,446	4,273,700	652,067
<b>Marketing Year</b>	<b>Aug/01-Jul/02</b>	<b>Aug/02-Jul/03</b>	<b>Aug/03-Jul/04</b>	<b>Aug/04-Jul/05</b>	<b>Aug/05-Jul/06</b>
<b>TOTAL</b>	3,201,450	4,319,841	4,163,885		

Source: PRC Customs Statistics

Table 14. China's Quarterly Cotton Fabric Exports by Destination

Calendar Year: 2003

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	249,300	286,745	261,330	353,094	1,150,469
Japan	76,262	77,897	73,081	99,674	326,914
Korea, South	70,840	66,377	61,585	97,677	296,478
Benin	55,778	67,773	81,822	74,130	279,503
Bangladesh	46,661	75,484	53,189	70,291	245,626
United States	34,038	47,456	35,200	35,820	152,515
Nigeria	24,166	35,591	35,281	20,381	115,419
Mexico	24,211	27,476	21,958	26,513	100,158
Other	401,015	454,515	441,489	477,502	1,774,521
<b>TOTAL</b>	<b>958,059</b>	<b>1,111,838</b>	<b>1,042,979</b>	<b>1,228,570</b>	<b>4,341,446</b>

Calendar Year: 2004

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	221,978	275,829	271,373	366,697	1,135,876
Japan	56,694	67,386	67,694	82,546	274,320
Korea, South	58,390	69,760	69,594	75,868	273,611
Bangladesh	47,596	69,159	59,267	77,051	253,073
Benin	25,805	42,546	68,751	87,941	225,043
United States	23,986	44,474	42,072	30,920	141,453
Mexico	30,650	33,523	25,498	39,741	129,412
Togo	14,730	21,748	33,126	39,438	109,042
Other	359,210	426,107	441,514	505,039	1,731,869
<b>TOTAL</b>	<b>839,038</b>	<b>1,050,531</b>	<b>1,078,889</b>	<b>1,305,241</b>	<b>4,273,700</b>

Calendar Year: 2005

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
	NA*				
<b>TOTAL*</b>	NA				

Source: PRC Customs Statistics

Note: As of this writing, data for the 1<sup>st</sup> quarter of 2005 is not available

Table 15. Cotton Planted Area and Production by Province

<b>Planted Area (1,000 hectares)</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
State	4,810	4,184	5,110	5,690	5,000
Xinjiang	1,130	944	1,055	1,137	1100
Shandong	720	580	882	1,060	884
Henan	858	773	927	952	722
Hebei	419	407	581	669	591
Anhui	310	244	390	433	350
Jiangsu	384	311	369	409	357
Hubei	347	300	355	372	350
Hunan	149	119	139	142	135
Jiangxi			80	100	NA
Sichuan	66	74	47	53	NA
* The planted area is Post's estimate based on all sources. Total planted area for 2004 is based on NSB's statistics; however, planted area for individual provinces is based on reports by industry source. Detailed NSB report will be available in June or July.					
<b>Production (1,000 MT)</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>
State	5,324	4,916	4,860	6,320	5500
Xinjiang	1,458	1,477	1600	1780	
Shandong	781	722	877	1098	
Henan	828	765	377	667	
Hebei	419	402	522	665	
Jiangsu	461	363	291	503	
Anhui	357	337	241	412	
Hubei	374	323	325	395	
Hunan	190	153	163	206	
Sichuan	30	24	25	33	
Jiangxi	81	67	76	NA	
*Based on the recent five year's average yield; Total production for 2004 is based on NSB's statistics, however, production for individual provinces is based on reports by industry source. Detailed NSB report will be available in June or July.					

Source: PRC State Statistical Bureau

Table 16. Cotton Tariffs as of January 1, 2005

Description	HS Code	In Quota Duty	Out-of-Quota M.F.N.	V. A. T.
Cotton, not carded or combed	5201-0000	1	40	13
Cotton, carded or combed	5203-0000	1	40	17
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, for retail sale	5207-1000 to 5207-9000		6	17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5900*		10	17
"	*Except: 5208-2300		12	17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	5209-1100 to 5209-5900		10	17
"	5209-2100 to 5209-2900		12	17
"	5209-4200		10	17

Source: PRC Customs Import and Export Tariff, 2004

Table 17. Cotton Tariff Rate Quotas

China's Cotton TRQ:				
Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 mt	894,000 mt	2004
	5201 - 0000	1%	1%	2004
	5203 - 0000	1%	1%	2004
<p>Other terms and conditions:</p> <p>1) STE share = 33% (See Note)</p> <p>2) Staging of TRQ for cotton:</p> <p>Year TRQ quantity:</p> <p>2002 818,500 mt</p> <p>2003 856,250 mt</p> <p>2004 894,000 mt (China added 1.5 MMT TRQ for 2004 to meet the demands)</p> <p>2005 894,000 mt (China maintained an identical cotton TRQ for 2005 as 2004)</p> <p>Note:</p> <p>Tariff quotas indicated in the third column are volumes for calendar year 2001. Tariff quota concessions will be implemented according to the date specified in the "Implementation" column. The implementation column indicates the date (referring to 1 January of the year indicated) when the final quota quantity will be achieved. The tariff quota concessions are subject to equal annual adjustments (occurring on 1 January of each year), unless otherwise specified in the "Other terms and conditions".</p>				